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THE NATIONAL DEBT

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OR, HOW TO SAVE THE TAXPAYERS

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THE NATIONAL DEBT AND PAPER CURRENCY;

Or, How to Save the Taxpayers Seven Millions a Year.

IN calling attention to the question of our National Debt, and how to pay it off or reduce our expenditure, and also, the present system or basis of our paper currency, or the issue of bank notes, I feel that I am on a very difficult subject, and one I am convinced I cannot do justice to. I wish to show the gross evils connected with the present Act and Laws for Banking (or Sir R. Peel's Act of 1844-45), and also to bring out in a proper way the great advantage which would result to the country's good, if a better system of paper currency were adopted, and founded on principles which would deprive no one of what he had a right to; and founded also on principles on which all commercial transactions are conducted and based. For several years prior to the introduction of Sir Robert Peel's Bill of 1844-45, banking, as regards the issue of paper money matters, had reached to a very unsatisfactory state; there being a very large amount of paper money in circulation, and very little bullion in the banks to meet it; in many cases banks did not hold bullion to the extent of one-third of their paper money which was in circulation. Banks appeared at that time to do very much as they pleased as regards their issue of paper money, and so the public, or noteholders, had little or no security for the paper money. The bank shareholders (who were alone responsible) in many cases were not very substantial, or had little capital to meet the notes, if a panic arose.

Sir Robert Peel's Bill was brought in to put an end to this state of affairs, and also to place banking on a more sound principle or basis. This he tried to accomplish, by granting authority to the banks to print and put into circulation about 20 or 21 millions of paper money; and, as the banks had no security of their own against this amount of paper money (saving the names of the shareholders), it was equal to a gift to the banks of 20 or 21 millions of cash; as the paper passed as an equivalent for gold; thus allowing the banks 21 millions or so for the use of the shareholders' names to carry on their business, and make capital out of, and so receive interest for taking the gift of their authorised issue. If we allow 3 per cent. interest on these 21 millions of authorised issue, it will give £630,000 yearly to the bank shareholders for the use of their names.

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This is very clearly seen in connection with the bank of England. When the Government passed Sir Robert Peel's Bill the Bank of England was to take up 14 millions of National Debt, or consols, on which the Government were to pay interest, and, for which, the Government were to be security. This, at first sight, appears quite a business transaction, but when looked into it turns out a very stupid act on the part of the Government, and a very good transaction for the bank. As the Government allowed the Bank of England to issue 14 millions of paper money against the 14 millions invested in consols; and set down the security of the Government as an equivalent for their 14 millions of paper money, and against the supposed 14 millions given by the bank to the Government. These 14 millions of notes are now in circulation, and are taken as an equivalent for gold by the business community and public in general. The Bank of England also looks on the security of the Government as an equivalent for gold, and has treated it as such in all its reports. Seeing then that the Bank of England has got authority to print or issue 14 millions of notes, and has got the security of the Government for 14 millions, why should the Government pay interest to the bank as the bank notes pass current and equivalent for gold? To put the matter in a proper light: it is equal to the bank doubling 14 millions of its capital, as the bank draws interest on the 14 millions supposed to be invested in National Debt. The bank also derives a profit or interest from the notes issued against the security of the Government Debt, and with which it carries on its business. This is placing banking in a position which no other business concern can approach; as no matter what security other concerns may have, they cannot draw against, or on them, free of interest. What would be thought of a man who bought a watch if he asked the watchmaker to allow him interest on the money he gave for the watch? The position would not be any more absurd; the man had the watch as value for his money, and the bank has the notes with which it carries on its business, and which are looked upon as good as gold, and on which they make a good profit.

This is going on the understanding that the Bank of England took up and paid for with gold 14 millions of consols or National Debt, but the case appears quite different—it looks very like the bank purchasing 14 millions of Government Debt with the notes in circulation at that time, and on which the bank only pays a small tax. It is nothing short of a gift to the bank of 14 millions, and interest for taking it. The Bank of England (as can be seen from their reports for 1844-45) had not gold to take up 14 millions of Government Debt. It would take great financial engineering on the part of the bank to show where the gold came from to take up 14 millions. In 1844 and 1845 the bullion, held by the bank, was £14,466,000 and £13,742,000 respectively. So, according to their own showing, the bank was not in a position to invest 14

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millions of gold at one time in consols; it would have cleaned out the whole bullion of the bank. All banks of issue enjoy, to a certain extent, the same privileges as the Bank of England, and have an authorised issue, against which, no real security is held, and, on which, a good interest is made. Banks have only to hold gold in their cellars against an extra issue of notes—that is, if a bank which has an authorised issue of say one million, it can issue two millions of paper money, on condition, that it keeps on hand and locked up in the bank cellar, one million of gold as an asset against the extra million of paper issue; and, as this gold must remain locked up so long as the notes are in circulation, it is as good as lost, and so becomes in a manner useless, and a dormant treasure. If we take the gold held against the extra issue by the various banks throughout the country, we will have a total of about £24,000,000 of gold useless, as this gold cannot be used by the banks (under present laws) so long as the notes are in circulation. Now, if this gold was handed over to the Government in security of the paper issued, it would be quite as safe, and would make no difference to the banks; and, as we all know, it would be of great value to the Government and a saving to the ratepayers—no one suffering by the transaction.

Under our present system of paper currency, the country or ratepayers, have lost a sum which would have paid all the National Debt; as any one who puts himself to the trouble of going into the history of our paper currency can find out. However, it will do no good to mourn over our losses, but we should take a lesson from them, and, endeavour to improve on the past and be guided by experience. So we should have a change, or new laws for banking, founded on sound business principles, and thus secure a better basis of paper currency. The Government have the control of the metallic currency, on which, through the tear and wear there is large yearly losses, and for which the Government or ratepayers have to provide. Now, if the Government and taxpayers have to make good the loss on our metallic currency, it does not require strong argument to prove that the Government or ratepayers, should have any profit which is to be derived from the paper currency. I will now endeavour to show how the paper currency could be made of great value to the Government, and effect a large saving to the ratepayers. If the Government were to pass an Act, and make it law that all banks of issue must pass to the credit of the Government, or deposit with the Treasury, and for the use of the Government (free of interest, a sum equal to the amount of the paper issue wanted by the bank; and if the Government were to treat this money as borrowed cash, and pay off so much of the National Debt with it, and allow, or set aside, for buying up consols at 2½ per cent. (interest on the compound principle) on this money held in security of the paper issue, the National Debt would be reduced 40 or 50 millions to start

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with, and reduced also by the interest on this amount every year; and as interest would be paid on interest on the compound principle, the debt would be reduced by a large sum every year. Then, the Government would become, as it were, the holders of a large portion of our National Debt; and so the ratepayers would derive a benefit in the reduction of taxes, and, at the same time, the National Debt would be getting less. The whole of it would be wiped out in about one hundred and twenty years; and, if the interest were paid quarterly, this time would be reduced by ten years or so. Under this system of paper currency the Government would require to be security for the notes; and as the Government security is as good as gold to the Bank of England, and all other banks, the Government security would be as good as gold to the public. As the notes pass as an equivalent for gold, the banks would not be losing anything they had a right to. To put the present basis of our paper currency in another form (and one that the banks, so far as their authorized issue is concerned, cannot dispute), it is equal to paying to the shareholders for the use of their names a yearly interest or bonus. No bank would ever think of giving a cash credit to a customer if it was known that the securities were to be allowed interest for the use of their names. This would only be doing what the trading community are doing at present for the use of bank shareholders' names, as regards the authorized issue. No company, limited or unlimited, should have anything to do with the currency of the nation; and, as there is not enough of gold to pay all our transactions, paper money, or bank notes, are a necessity for carrying on our trade and commerce, and should not be left to private enterprise or limited companies, which look for large dividends more than the public convenience, and may burst up at any time, and so leave note-holders nothing, or next to nothing, for their notes. The currency should all be under the Government control. And, if at any time the banks were short of capital, and required extra funds to enable them to meet any pressing claims, that might be made on them, the banks could hand over some of their securities to the Government, and by paying interest to the Government the banks could have an extra issue granted them. This would be putting banks on an equal footing with other business men, and treating them as they treat their customers. The Government and ratepayers would then have the profit on the paper currency, which would make up for the loss on the metallic currency.

The Government has no more right to allow, or keep the banks in a sum of paper money for the purpose of enabling them to carry on their business, than it has to keep a shoemaker in a stock of leather for the purpose of helping him to conduct his business profitably.

The reduction of taxation, and how to reduce the national expenditure, is a question in which we are all concerned. The proposal in the Budget brought forward by Mr. Childers in 1883

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for the reduction of our National Debt, is far too expensive, and will press hard on the already heavy burdened taxpayer. Let us look into the scheme and see how it will come out. Take first the 40 millions of Chancery Stocks for which Mr. Childers arranges with the Lord Chancellor. On these 40 millions somewhere about 3 per cent., will have to be paid as interest. To pay the interest, to pay back the 40 millions to the Chancery funds, and finally, to reduce the National Debt 40 millions in twenty years. Mr. Childers creates annuities equal to nearly 6¾ per cent. on the 40 millions Chancery funds. This is allowing 3¾ per cent. or thereby for the annuity, after allowing interest, as 40 millions will double itself in twenty years at 3¾ per cent. compound interest; and so all the cash will be paid back to the Chancery Funds, and the National Debt will be reduced 40 millions also, providing that the scheme is carried out. Now, let us see what the result would be if 40 millions, deposited in security of our paper issue, were treated as borrowed cash at 6¾ per cent. compound interest. In eleven years and about forty days, the 40 millions would be doubled. But, as I have said, Mr. Childers' scheme is too expensive; so let us treat 40 millions of the cash deposited for the notes at 2½ per cent. compound interest, and in thirty years the sum will be doubled, and so 40 millions would be taken off the National Debt, and 40 millions would be had to take up the 40 millions of paper money if required. Forty millions at 2½ per cent. interest will give one million yearly. The 30 millions of Saving Bank funds dealt with in the same scheme surprises me very much. The annuities under this head are £3,600,000 yearly for twenty years, and are equal to 12½ per cent. interest on the 30 millions, and, as said before, far too expensive a method for reducing our National Debt. The annuities on the 40 millions Chancery Stocks are £2,674,000, and on the 30 millions Saving Bank funds £3,600,000—in all, £6,274,000 yearly for twenty years to come. These annuities, with others now running, are to reduce our National Debt by £172,000,000 in twenty years. These annuities should be set aside altogether and ignored, the result of which would be a yearly saving to the present taxpayers of £6,274,000; and by adopting the hints for a new basis of paper currency, and, adding the sum of one million which would be equal to 2½ per cent. on the 40 millions of paper currency, the saving to the public would be equal to £7,274,000 for the first year, and this sum would be increased yearly by the amount of compound interest on the 40 millions. And if the principle was carried out for 120 years on the 40 millions deposited in security of the paper currency, the result would be a reduction of the National Debt in that time of 640 millions—thus giving an average yearly saving for 120 years to come of £5,333,333 6s. 8d., and handing down to posterity a country almost free of debt. If we take the 70 millions dealt with in Mr. Childers' scheme, and only allow 2½ per cent. as

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interest for this borrowed money, the ratepayers will lose £1,750,000 yearly, or the snm paid as interest on the 70 millions during the time that the annuities are running. This is allowing interest at the same rate that is to be given on the new consols. But under the basis of paper currency I have suggested, while we would only be paying 2½ per cent. as supposed interest for the use of the gold held in security of our paper money, we would be in reality reducing our National Debt by the amount of this interest and compound interest; and by continuing to pay compound interest at 2½ per cent. only, and to invest it in or buy up consols therewith, in the course of time all the gigantic National Debt would be pnid off. If we started with the paper currency at £40,000,000, and it continued at this sum or amount for 120 years, there would be at the expiry of that time the yearly sum of £16,000,000 left for the Government to dispose of in whatever way they thought best, and as already stated, 640 millions would also be taken off the National Debt. If we started with the paper currency at £50,000,000, and continued it for the same time and at the same rate of compound interest (2½ per cent.), all our present National Debt would be paid off, and about £50,000,000 over, as £800,000,000 would then be paid, and the sum of £20,000,000 yearly would be left to be disposed of as the Government of the country at that period might see fit. And as before stated, by carrying out this method or scheme of paying off our debt, there would be for the first 20 years of the scheme a saving to the ratepayers of over £7,274,000 yearly as compared with Mr. Childers' scheme of 1883 for the reduction of the National Debt.

Mr. Childers' proposal of 1884 for reducing the value of the ten-shilling gold piece by 10 per cent. is equal to the introduction of the thin end of the wedge for the utilizing of the paper currency in the way which I have suggested. The new coin is to become a token, only value for nine shillings, and is to pass current for ten shillings, the Government being security for one shilling, or 10 per cent. on this new coin when it comes out. This change is to bring into the treasury about two millions of gold. Now, if the Government is to be security for 10 per cent. on a new coin, for the purpose of getting the use of two millions of gold, free of interest, on the same principle, the Government could be security for 100 per cent., and so get the use of 40 or 50 millions of gold, free of interest. And, if the security of the Government is good for 10 per cent., it would be good for 100 per cent., and on the same footing should be given. If the one is right, the other could not be wrong. The proposal to reduce our gold coin and make it a token, is not a good idea. All our gold coin should be kept up to the full value which it is supposed to carry. I would here suggest that 50 millions of paper money would be sufficient, and that it should be restricted to that amount. The paper circulation at present for the United Kingdoms is between 44 and 45 millions,

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and so the ratepayers are losing about £1,320,000 or £1,350,000 yearly. This is allowing 3 per cent. per annum on the paper circulation—which is being paid at present for the use of our borrowed money. The idea of having our paper currency under State control, and allowing the ratepayers to have the benefit of the profit arising therefrom, is not a new one. What I claim credit for is calling attention to the loss that the ratepayers are making through not claiming their rights, and of pointing out some of the evils of our present banking laws, and also of showing the saving which would be effected if our paper currency was properly wrought and in the hands of the Government. It is admitted by many Members in the House of Commons, as well as by a great portion of business men, that our present basis of paper currency is absurd; and, I think, any one who looks into the matter can come to no other conclusion. I have been told by a Member of Parliament that no scheme or plan but Sir Robert Peel's will be listened to in the House of Commons, and that the banking influence is too strong to pass a proper measure, such as I have suggested. Now, if the banking influence in the House of Commons is too strong to pass just and proper laws, I would say that the House of Commons should be reformed, and that the people should see that the banking influence in the House is kept within proper limits, and that we have men sent there to represent the interests of the community and not their own. This question is of great importance to the people, and should be pressed along with other reforms; and, as all reforms are to a great extent the outcome of pressure on the Government, the public have the matter very much in their own hands. Financial and banking reform is quite as much needed as land reform; it is a very important matter in which all are interested. I have been told that any change would upset all the present banking arrangements. Any one can understand that, but it is no argument for carrying on a most unjust system. All reform changes old things, as did Sir R. Peel's Bill of 1844-45 upset the arrangements of the banks at that time. So did the extension of the franchise, and so will the extension of the franchise upset our present arrangements. Changes founded on sound principles should do good, and we are not expected to go always on the same lines. We must open up new fields now and again; and as the banks have now enjoyed Sir R. Peel's gift long enough, it is time we had a change, and only get what the ratepayers have a right to, and what they have been losing since the banks took or got into their own hands the paper currency. I have also been told that my idea of paper currency would not do, as banks must hold gold against any panic that might arise, and to meet our international balances. As for panic, if the Government were security for the notes or paper money, note-holders would not be liable to get into a panic. And as for our international balances, seeing that the gold held against a paper issue cannot be used for any other

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purpose than to pay off the paper money, and must remain in the cellar of the bank so long as the paper or notes are in circulation, our international balances could not be affected in any way by the adoption of this scheme of paper issue. Banks should do as other merchants have to do—viz., keep a stock to supply the wants of their customers.

Mr. Fleming, President of the Institute of Bankers for Scotland, has stated in his lecture in January, 1883, to the Bankers of London, that there was in Scotland five or six millions of gold useless, and all that is wanted is a bank note properly secured. I would look upon the security of the Government as the best that could be had, and would consider note-holders quite safe with the Government security. A more easy way of paying off our National Debt, and of reducing the taxation, cannot readily be found than by taking the paper currency and treating it as a borrowed sum; it would be equal to 40 or 50 millions to the Government free of interest.

If the Government were to adopt State control of the paper currency, the Treasury or Stamp Departments could supply the banks with the note forms, having the words "secured by Government" on them, and on these forms the banks could print their own designs, and have their own style of notes as at present. Having stated that the Bank of England is a gainer to a very large extent by our present system of paper currency, I will here give an extract from the weekly report of the note issue department for the week ending 18th July, 1883, in which you will find the following to be the results:—Note issue, £37,012,290. The assets against this are—Government Debt, £11,015,100; other securities, £4,734,900; Bullion, £21,262,290—thus giving, £15,750,000 of a gift, or authority to the bank to print this amount of notes and put them into circulation, and so gain double interest on the £15,750,000—viz., interest from the Government and interest from the notes which pass current for gold. This is taking it for granted that the bank gave to the Government or took up Government debt to the extent of the Government security with gold. But, as already stated, it looks as if the Government took from the bank paper money, and that secured by the Government, and at the same time the Government is paying interest to the bank on these notes—in other words, a gift to the bank, and interest for taking it. Any printer would be glad to print any quantity of notes on these terms.

Having endeavoured to show the value of a State control of our paper currency, I would also say that there is very little if anything to prevent it being carried out, if the ratepayers will only take up the matter. If these suggestions were carried out, we do not require to bind ourselves hard and fast to 2½ per cent. on the cash credited in security of the paper issue. The interest could be regulated to suit the financial condition of the country, and payment of the interest, or the purchasing of consols therewith, could

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be suspended for a time without putting the arrangements very much out of gear. As the banks have made a change and are now nearly all limited companies, and the responsibility of the shareholders very much lessened, and the risk thrown on the public or business community, banks could not object to the Government making a change also, and so take up the right it has allowed the banks to usurp so long, and paid them for so doing. Banks should not be allowed more privileges than other limited companies, and banking should be a free trade.

The subject of our National Debt has perplexed many a one—Chancellors of the Exchequer and statesmen of all shades of politics. It has been said to constitute the wealth of the country; it may be so. If we go on the understanding that where money lenders have their cash invested, there will they have all their energies concentrated. This does not always follow. It may be wealth to the holders of the debt or consols, but I cannot see how an immense debt can be a source of wealth to any nation. A source of wealth, or debt, which is the proper term, may show that we are in good credit; but then we are very much handicapped in our competing with other countries, and our burden acts as a drag on our national commerce.

Several schemes have been brought forward for reducing our National Debt. The latest, brought forward by Mr. Childers, now Chancellor of the Exchequer, is far too expensive, and should not be acted upon but set aside. And if the bases for a paper currency, such as I have suggested, and which were suggested to the Chancellor of the Exchequer in November, 1882, were carried out, paper money would in all likelihood reach to 50 millions, as the more paper money used the more debt would be paid off. It would be an advantage to the ratepayers to use the paper currency, seeing that it passes current or equivalent for gold, and would help to keep down the taxes. If 5 per cent. compound interest were paid on the cash credited the Government in security of the paper issue, 40 millions would reach the sum of 640 millions in sixty years, and 50 millions in sixty years would give 800 millions at 5 per cent. compound interest. The basis of a paper currency here suggested is quite different from any system now being wrought in any other country. The American system is quite as bad as our own. The National Banks, or banks under the control of the United States Government, must first of all buy up States or National Debt Bonds to the extent of 10 per cent. over the amount of the paper issue wanted by the banks before the banks can put out a single note. These bonds bear interest from 3 per cent. upwards to 6 per cent., according to the time these bonds have to run or be redeemed by the States Government, so the American banks are drawing double interest for the money sunk in States Bonds, in so far as the banks draw interest on the bonds, and have authority to issue against these bonds

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paper money with which the banks conduct their business, these notes being taken as legal tender and equivalent for gold, and on which the banks make a good profit or have double interest for their capital thus invested.

The paper circulation of America, including all sorts of legal tender and treasury notes, is somewhere about 832,000,000 dollars. Now, this should be worth 2½ per cent. to the United States Government, if properly utilised, and 2½ per cent. would give 20,800,000 dollars yearly of a saving to the people of America; but, under the present system of American banking, the ratepayers are losing 20,800,000 dollars every year, and are paying bank stock-holders a very handsome sum for the use of their names, which is quite as bad as subsidizing shipbuilders. "Another evil in the American banking system, as regards the paper issue, is that these States Bonds which are held in security for the paper issue are redeemable by the Government at fixed dates, and, under the present laws must be called in; so when the bonds are redeemed all the paper issue against these bonds will require to be taken out of circulation." This will be equal to a very large reduction of the trading capital in America, and may very much hamper and keep back all kinds of enterprise, and so retard the progress of the country for some time to come. There is not sufficient gold either in our own country or America to pay all our transactions with, so that a medium of exchange apart from gold is necessary for carrying on business in all countries. Seeing, then, that it is necessary to have a paper currency for commercial purposes, it should be founded on the best possible basis, and I think that no better security could be had for the paper currency than the security of a Government; and, as mentioned before, if at any time the banks found that they required extra capital, this could be had by the banks handing over to the Treasury some of their good securities, against which an extra issue could be had on condition that the banks paid to the Treasury 2½ or 3 per cent. on the sum wanted. This would be treating the banks as the banks treat their customers. No bank will give money free of interest, not even to one of their own shareholders, and banks should not look for what they cannot give and should not object to pay interest for a paper issue, seeing that it passes current for gold. Bank shareholders may not like to be told that they are being paid for the use of their names, nevertheless it is a fact which they cannot get over, and a thing that should not be. What would any business man or banker think of a company which paid their directors for the use of their names? This has been done, but when found out there was a noise made over it. There is no use in us crying out over sugar bounties, and subsidies to shipbuilders, when we are paying our bank shareholders so handsomely for conducting a very remunerative business.

Once more I would say that the ratepayers should see that this

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sort of thing is put an end to, and have banks put on equal footing with other business concerns or limited companies. So, set aside all present banking laws and have new ones; let all have equal rights and no monopolies. And, as already shown, by making a proper use of our paper currency and dormant treasures, we can found a scheme for paying off our National Debt free of cost, and save between 5 and 6 millions a year for one hundred and twenty years to come, as by that time, if the scheme was carried out, all our National Debt would be paid off by only paying interest, and that at a ½ per cent. less than is being paid at present, and no one would be deprived of their just and legal rights; and if the New Zealander should ever come to sketch our ruins he might be able to inscribe on his cloth the words, "This country died free of debt."

Bank shareholders may tell us that their names are quite good for their authorised issue, and that any business man in a good position can get credit or raise money on security of his name. This is granted, but the business man has to pay interest for any cash he may borrow, whereas the bank shareholders are having the use of money free of interest, and are making a good profit on it so far as the authorised issue is concerned.

It is the duty of a Government to govern a country on the most economic principles, consistent with the requirements of the nation and the freedom of the subject.

The principles of banking herein suggested would not interfere in any way with banking, so far as making a trade of it by the Government, excepting the supplying of the note forms.

The right of a paper currency should never have been in the hands of limited or joint-stock companies, and limited or joint-stock companies would not have anything to do with it if there was not a good profit to be derived therefrom. Joint-stock or limited companies would not be a success or a paying concern if they were to adopt the manufacture of a metallic currency, and keep it up to the full value. It would pay no company to make soverigns at twenty shillings and put twenty shillings worth of metal into them, and also keep up the tear and wear thereon. This applies to all sorts of metallic currency, and would mean ruin to any company that might attempt the manufacture of coin. There may be a chance of doing some good with the new coin, if ever it comes out and gets into circulation. 10 per cent. would be an inducement and a fair profit on a good turnover for some speculative adventurer who wished to go in for a good job at *little* risk.

I will now draw these remarks to a close by another recapitulation, and also give another illustration. Under the present method of banking, as regards paper currency here suggested, a large portion of the cash to pay off the National Debt would be had, as it were, at 2½ per cent. interest, and this sum would be increasing yearly by the amount of interest and compound interest. Thus, a saving of a ½ per cent. would be made on a considerable amount of consols, and no one could object to it.

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The sum of £7,274,000 of a yearly saving for twenty years to come, besides a ½ per cent. on a large sum of money, and an average making or saving of between 5 and 6 millions yearly spread over the period of one hundred and twenty years, is not to be lost sight of, and is worthy of an effort being made for carrying out the scheme, keeping in mind at the same time that this can be effected and the large National Debt be paid off at once, and then only paying what would require to be paid as interest on borrowed money, and that on the most favourable terms, or a ½ per cent. less than we are paying at present. If the principle I have advocated were carried out, it might be the means of sending into circulation an extra amount of money. This should do no harm, as the more money is in circulation the better for trade.

Again, our present financing as a nation is like a merchant who has a good amount at his credit in the bank, discounting his bills and paying the bank 3 or 4 per cent. for the purpose of having a fair balance at his name, on which the bank pays him 1 or 1½ per cent. This is equal to borrowing money at 3 or 4 per cent. and lending it out at 1 or 1½ per cent., and is seldom done by a good business man unless he has an object in view. We are at present allowing to lie idle, and remain in a manner useless, many millions of gold, and are paying a good interest for cash to meet our national expenses. This is an evil as great as perpetual pensions, and should be put an end to, and so have our affairs conducted on sound financial principals. It is not to be supposed that I object to the banks setting down the Government security as an asset; this is quite right as the banks must show something for their money invested. What I object to, and what every ratepayer should object to, is the banks being allowed to issue paper money against which there is no capital, thus allowing bank shareholders their authorised issue for the use of their names; in other words, a gift or accommodation bills to the extent of about one half of the note circulation, and £630,000 yearly for taking these notes. This is allowing the banks to make only 3 per cent. on their authorised issue, against which they do not require to hold capital. I object also to the Bank of England being allowed interest on the consols or debt held by it, seeing that the bank has authority to issue paper money, which passes current and equivalent for gold, against the supposed money invested by the bank in the National Debt funds. It is equal to the bank drawing double interest for the cash thus invested, viz., interest for the consols held by the bank, and interest on the notes with which it carries on its business. I think that the ratepayers should now see that this scandal is put an end to, aud have our financial affairs reformed.

Some arrangements would also require to be made as to the disposal of unclaimed money, which is accumulating in the hands of the bankers; this is a considerable sum, and might do much good if a proper understanding was come to regarding it. Might

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I here ask upon what grounds the bankers found their claim to the position which they have occupied so long, and also why they should enjoy favours, and be allowed a bonus, for carrying on their business that no other companies can enjoy? And seeing that nearly all the banks have changed their position, for the purpose of reducing any risk the shareholders were under to a small minimum by departing from their original charter, why should they object to the laws on banking being changed and founded on a proper basis, and allow the public their just rights as the public are now taking the risk should a bank smash take place? The public have now a good claim for an alteration and reform in the laws on banking. The question of our National Debt, and also the subject of our paper currency would fill a good sized book to do them anything like justice. I will leave them for the consideration of the parties most interested—viz., the ratepayers. My object when commencing this essay was only to try and bring out and show some of the evils connected with the present system or basis of paper money, and the benefits to be derived from a paper currency founded on sound and business like principles—no one being deprived of their just or legal rights.

Before closing, I am compelled to give another illustration of the absurdity of our present basis of paper currency. It is like an individual taking to the Bank of England one hundred sovereigns, for which he asks to be supplied with a £100 note, and at the same time demands to be allowed interest on his sovereigns. In making this very foolish demand, he is only doing what the Bank of England has done with the Government, with the exception, that the bank refuses to allow the simple man interest seeing that he got what passes as an equivalent for his gold, viz., a £100 note. Now, as the Bank of England was allowed to issue notes which pass as an equivalent for the supposed 14 millions given to take up part of our National Debt, why should the bank be allowed interest on this sum? And to put the bank on equal footing with the person who changes his gold for paper money, the Government should not allow interest to the bank, or pay the shareholders for the use of their names. I have endeavoured to make the itlustrations herein as simple as possible, so that anyone can follow my arguments. If I have not been successful, I hope to be excused, and would ask my readers to study the matter well. The easiest way to reduce our debts and save our pockets by the the reduction of taxation is a question that concerns us all. And if a more easy method of paying off our immense National Debt can be found than by paying 2½ per cent. as supposed interest on 40 or 50 millions of money deposited in security of paper issue, I will be very glad. Some may say that the time is too long. It can be reduced to 80 years if we pay 3¾ per cent. compound interest; or, if we allow 5 per cent compound interest the time will be reduced to 60 years; and, by paying the interest quarterly, these periods for paying interest will be still further reduced by several years.

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